



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-1000

ASSISTANT SECRETARY FOR CONGRESSIONAL
AND INTERGOVERNMENTAL RELATIONS

NOV 20 2014

The Honorable Charles E. Grassley
United States Senate
Washington, DC 20510-1501

Dear Senator Grassley:

On behalf of Secretary Julián Castro, thank you for your letter of October 23, 2014, about the Department of Housing and Urban Development's (HUD's) management of the Moving to Work (MTW) Demonstration program. The following information is from HUD's Office of Public and Indian Housing (PIH).

As you noted in your letter, MTW was designed to provide public housing authorities (PHAs) with the flexibility to administer their programs based on locally-defined priorities, and HUD shares your belief that the purpose of the program retains merit today. While the flexibility enjoyed by MTW PHAs initially made management and monitoring of the Demonstration difficult, the Department has taken and continues to take steps to improve its oversight. Lessons learned and information shared by MTW PHAs has been invaluable to HUD and the industry as the Department collectively considers how to shape rental assistance programs and stretch scarce funding resources to serve families more effectively.

Below is information in regards to your specific questions:

1. *What provisions has HUD incorporated into the MTW program to penalize housing authorities for violating the provisions of their MTW agreement?*

If an MTW Agency violates a provision of its MTW Agreement, the Department can invoke the terms of Section VIII, Termination and Default.¹ In such an instance, HUD would provide written notice of the default and provide the agency with a minimum of 30 days to cure it. Section VIII iterates the reasons the Department may declare an agency in default, and the remedies at HUD's disposal.

2. *What steps are being taken by HUD to reduce the amount of money held in the CHA reserve fund to ensure that funding is used for its intended purpose?*

PIH has been actively engaged with the Chicago Housing Authority (CHA) for the last 2 years regarding the agency's reserve level. These conversations have resulted in some reductions to the reserve as well as commitments to significantly increase

¹ The body of the MTW Agreement can be found at:
http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_10240.pdf

Housing Choice Voucher (HCV) program leasing in Fiscal Years (FY) 2014 and 2015. Also, as a result of these conversations, the CHA has developed a detailed plan to spend additional reserve funding for eligible MTW purposes.

3. *What financial oversight has HUD conducted to determine how many MTW housing authorities have diverted funding from their intended purposes?*

The MTW statute specifically allows MTW PHAs to combine public housing operating funds, capital funds and HCV funding into a single pool, in order to provide housing assistance and services to low-income families.² For example, an MTW PHA may utilize its HCV funds for public housing capital work. This is not a diversion of funds because under MTW the intended purposes of the combined pool of funds is to provide housing assistance and services to low-income families. This ability to combine funds allows MTW PHAs to direct funding to the areas in which it is most needed, as determined on the local level.

4. *Has HUD made any changes to the MTW program to increase the transparency and accountability? If so, what has been changed? If no, why not?*

The Department has taken significant actions to strengthen its oversight and monitoring of the MTW program, in order to foster transparency and accountability. In 2007, HUD established a dedicated MTW staff in the Office of Public Housing Investments and developed a standard MTW agreement for all MTW PHAs, replacing the earlier individually negotiated agreements. The Department has made adjustments to its major reporting systems to enable all MTW PHAs to report financial and family data, which was not possible during the early years of the demonstration. Additionally, HUD created an OMB Circular A-133 Compliance Supplement for the program to provide guidance to independent auditors of MTW PHAs.

More recently, the Department has developed data collection and monitoring strategies for the 3 main MTW statutory requirements – continuing to serve substantially the same number of families, ensuring that at least 75 percent of families assisted are very-low income, and maintaining a comparable mix of families by bedroom size. HUD has also revised its Annual MTW Plan and Annual MTW Report requirements to establish a set of standard metrics for MTW activities, which once fully implemented, will enable the Department to roll-up data and report on progress towards meeting the Demonstration’s three statutory objectives.

5. *Does HUD plan to audit MTW agreements to determine if participating entities are complying with their MTW agreements? If so, when? If not, why not?*

² Section 206 of the Omnibus Consolidated Rescissions and Appropriations Act of 1996

In late FY 2014, the Department began an effort to review key terms and provisions of the MTW agreements to confirm each agency's compliance. HUD is also working with its Office of Policy Development and Research (PD&R) to issue a solicitation for a third-party evaluation of the Demonstration's outcomes.

6. *What steps are being taken to implement all HUD OIG recommendations resulting from their MTW audit?*

HUD's Office of the Inspector General (OIG) provided recommendations related to the MTW Demonstration in 2012 and 2013. Many of these recommendations were duplicative of the 2012 Government Accountability Office's (GAO) review of the MTW Demonstration or were items the Department was already in the process of taking action on. HUD accepted all of the recommendations provided by OIG and has taken steps towards their closure. Many have already been closed. The below table provides a summary and status of each recommendation.

Review of HUD's FY 2012 and 2011 Financial Statements		
No.	Recommendation	Status
2C	Develop, implement, and document methodologies to calculate and track performance measures to enable comparability of data among MTW PHAs and ensure the reliability of reported data.	Closed
2D	Develop, implement, and document standardized reporting requirements for the MTW data and results for all MTW PHAs.	Closed
2E	Update the MTW plan and report review procedures to include steps to verify the reliability of presented data against HUD systems and retain all supporting documentation as evidence of controls performed.	Closed
2F	Ensure that the staffing and funding levels for the MTW program office are adequate to provide proper oversight of the program.	This recommendation remains open. Additional staffing is necessary in order to close this recommendation.
2013 Moving to Work Audit		
No.	Recommendation	Status
1A	Develop program-wide performance indicators based on the results from agencies' self-reported data.	Partially resolved. Performance indicators have been developed and implemented. Preparing methodology for data analysis, which is necessary for closure of this recommendation.

1B	Ensure that the program is evaluated in accordance with the standard program agreement and program monitoring policies.	In progress
1C	If Congress expands the program, delay adding participants to the program until program wide performance indicators are in place and program evaluation results warrant program expansion.	Dependent upon closure of 1B
1D	Continue to develop and implement procedures to verify agencies' compliance with key statutory requirements.	Closed
1E	Continue to develop and implement procedures to verify the accuracy of agencies' self-reported performance data.	Closed
1F	Ensure that annual risk assessments are completed as required.	Closed

Thank you for your interest in the Department's programs. If I can be of further assistance, please let me know.

Sincerely,



Erika L. Moritsugu
Assistant Secretary for Congressional
and Intergovernmental Relations